

Titan Company

 BSE SENSEX
29,910

 S&P CNX
9,238

Stock Info

Bloomberg	TTAN IN
Equity Shares (m)	888
52-Week Range (INR)	471/296
1, 6, 12 Rel. Per (%)	1/8/17
M.Cap. (INR b)	408.7
M.Cap. (USD b)	6.1
Avg Val, INRm	597.9
Free float (%)	47.0

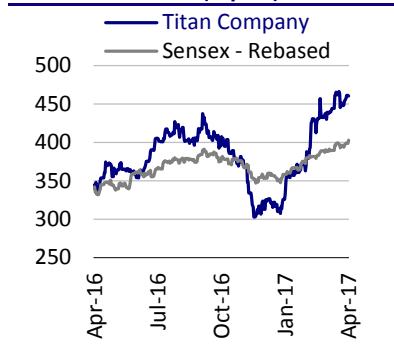
Financials Snapshot (INR b)

Y/E Mar	2017E	2018E	2019E
Net Sales	122.9	142.6	164.0
EBITDA	11.6	13.0	14.9
PAT	8.4	9.3	10.5
EPS (INR)	9.4	10.4	11.8
Gr. (%)	17.1	10.8	13.5
BV/Sh (INR)	47.0	54.1	62.2
RoE (%)	21.5	20.6	20.3
RoCE (%)	21.6	20.5	20.2
P/E (x)	48.9	44.2	38.9
P/BV (x)	9.8	8.5	7.4

Shareholding pattern (%)

As On	Dec-16	Sep-16	Dec-15
Promoter	25.3	25.4	25.5
DII	19.1	17.8	18.8
FII	41.0	42.1	42.9
Others	14.6	14.7	12.9

FII Includes depository receipts

Stock Performance (1-year)

CMP: INR460
TP: INR485(5%)
Neutral

Significant recovery in demand in 4QFY17

Good sales across divisions

TTAN has released its pre-quarterly update for 4QFY17. Highlights:

Demand environment

- The company has mentioned that FY17 was an exceptional year, though it was struggling for growth in 1HFY17 due to low consumer demand and impact of industry strike related to imposition of excise. 2HFY17 was much better than the company had expected despite demonetization, as consumer demand recovered significantly and sales were healthy across divisions.
- It expects good sales as well as margin performance (led by gross margin expansion and cost control) in 4QFY17.
- TTAN is targeting high-teens revenue growth for FY18.

Jewelry

- The division had a very good quarter, led by studded jewelry activation and favorable base (studded jewelry activation had started in December 2015 last financial year, imposition of PAN requirement for transactions above INR200k, and industry strike).
- Tanishq* saw retail growth that was 40% higher than the company had expected at the beginning of 4QFY17.
- Successful studded jewelry activation would lead to better gross margin.
- TTAN announced the merger of *Gold Plus* into *Tanishq* by the end of FY18, post which *Gold Plus* would cease to exist. It currently has 29 *Gold Plus* stores, which would be re-launched as *Tanishq* stores.
- The company added 16 *Tanishq* stores (60,000sf of retail space) in FY17.
- It launched, *RIVAAH*, a sub-brand for wedding jewelry, during the quarter.

Watches

- This business too had a good quarter, led by growth in the domestic market and spares sales.
- The trade channel (50% of sales), which was expected to recover in 2-3 months (mentioned in 3QFY17), has recovered from the demonetization impact.
- The retail channel saw high single-digit growth in 4QFY17.
- Headwinds in the exports and OEM business hurt overall growth for the quarter.
- The company added 24 *World of Titan Stores* and 8 *Helios* stores in FY17.

Eyewear

- After a subdued 3QFY17, the eyewear division did well, led by revival in sales of the sunglasses business.
- Prescription eyewear saw retail growth in excess of 10%.
- TTAN closed 12 *Spexx* format stores in FY17.
- It added 59 *Titan Eye Plus* stores (35,000sf of retail space) in FY17.

Valuation and view

- We currently have a **Neutral** rating on the stock. Our target price is revised to INR485 (41x FY19E EPS; three-year average multiple), as we roll forward to FY19 estimates.

Financials and Valuations

Income Statement							(INR Million)
Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Net Sales	101,127	109,158	119,032	111,770	122,947	142,619	164,011
Change (%)	14.4	7.9	9.0	-6.1	10.0	16.0	15.0
Total Expenditure	91,011	98,673	107,498	103,179	111,390	129,640	149,086
EBITDA	10,116	10,484	11,534	8,591	11,557	12,978	14,925
Change (%)	21.4	3.6	10.0	-25.5	34.5	12.3	15.0
Margin (%)	10.0	9.6	9.7	7.7	9.4	9.1	9.1
Depreciation	545	656	874	971	1,068	1,175	1,293
Int. and Fin. Charges	506	871	807	423	402	442	486
Other Income - Recurring	1,008	1,202	706	1,612	1,356	1,492	1,641
Profit before Taxes	10,072	10,159	10,559	8,809	11,444	12,853	14,788
Change (%)	20.1	0.9	3.9	-16.6	29.9	12.3	15.0
Margin (%)	10.0	9.3	8.9	7.9	9.3	9.0	9.0
Tax	2,854	2,761	2,410	1,678	3,090	3,599	4,288
Tax Rate (%)	27.9	27.0	22.0	19.0	27.0	28.0	29.0
Profit after Taxes	7,262	7,411	8,231	7,131	8,354	9,254	10,499
Change (%)	20.1	2.1	11.1	-13.4	17.1	10.8	13.5
Margin (%)	7.2	6.8	6.9	6.4	6.8	6.5	6.4
Reported PAT	7,262	7,411	8,231	7,131	8,354	9,254	10,499
Balance Sheet							(INR Million)
Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Share Capital	888	888	888	888	888	888	888
Reserves	18,761	24,352	30,032	35,008	40,811	47,125	54,295
Net Worth	19,649	25,240	30,920	35,896	41,699	48,013	55,182
Loans	60	8,063	998	1,131	1,931	2,431	2,931
Deferred Tax	-80	-93	-197	-239	-324	-422	-533
Capital Employed	19,629	33,209	31,721	36,787	43,305	50,021	57,579
Gross Block	8,480	10,399	11,902	14,227	16,302	18,377	20,452
Less: Accum. Depn.	4,078	4,495	5,103	6,057	7,156	8,405	9,802
Net Fixed Assets	4,402	5,903	6,799	8,170	9,146	9,972	10,650
Intangibles	84	59	34	34	34	34	34
Capital WIP	417	329	549	540	540	540	540
Investments	185	230	290	290	290	290	290
Curr. Assets, L&A	53,579	54,456	50,854	52,191	60,123	68,373	79,128
Inventory	36,779	38,672	40,474	42,267	47,745	52,449	57,647
Account Receivables	1,638	1,520	1,874	1,860	2,045	2,322	2,639
Cash and Bank Balance	11,365	8,925	2,138	2,224	3,791	6,354	10,833
Others	3,797	5,338	6,368	5,840	6,542	7,248	8,009
Curr. Liab. and Prov.	39,039	27,768	26,804	24,438	26,828	29,188	33,062
Current Liabilities	35,478	23,938	22,483	20,184	22,080	23,819	27,044
Provisions	3,561	3,830	4,322	4,254	4,747	5,369	6,018
Net Current Assets	14,541	26,688	24,050	27,753	33,295	39,185	46,066
Application of Funds	19,629	33,209	31,721	36,787	43,305	50,021	57,579

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
Basic (INR)							
EPS	8.2	8.3	9.3	8.0	9.4	10.4	11.8
Cash EPS	8.8	9.1	10.3	9.6	10.8	12.4	14.1
BV/Share	22.1	28.4	34.8	40.4	47.0	54.1	62.2
DPS	2.5	2.4	2.8	2.4	2.8	3.1	3.5
Payout %	30.0	28.6	29.9	30.0	30.0	30.0	30.0
Valuation (x)							
P/E	55.1	49.7	57.3	48.9	44.2	38.9	
Cash P/E	50.7	44.9	48.0	42.6	37.0	32.7	
EV/Sales	3.7	3.4	3.6	3.3	2.8	2.4	
EV/EBITDA	38.9	35.3	47.4	35.2	31.2	26.8	
P/BV	16.2	13.2	11.4	9.8	8.5	7.4	
Dividend Yield (%)	0.5	0.6	0.5	0.6	0.7	0.8	
Return Ratios (%)							
RoE	42.5	33.0	29.3	21.3	21.5	20.6	20.3
RoCE	44.7	30.5	27.3	21.8	21.6	20.5	20.2
RoIC	113.4	45.7	31.7	19.7	21.1	20.8	21.8
Working Capital Ratios							
Debtor (Days)	6	5	6	6	6	6	6
Asset Turnover (x)	5.2	3.3	3.8	3.0	2.8	2.9	2.8
Leverage Ratio							
Debt/Equity (x)	0.0	0.3	0.0	0.0	0.0	0.1	0.1

Cash Flow Statement

Y/E March	2013	2014	2015	2016	2017E	2018E	2019E
(INR Million)							
OP/(loss) before Tax	10,072	10,159	10,559	8,809	11,444	12,853	14,788
Int./Div. Received	-1,008	-1,202	-706	-1,612	-1,356	-1,492	-1,641
Deferred Revenue Exp.	0	0	0	0	0	0	0
Depreciation & Amort.	545	656	874	971	1,068	1,175	1,293
Interest Paid	506	871	807	423	402	442	486
Direct Taxes Paid	2,854	2,761	2,410	1,678	3,090	3,599	4,288
Incr in WC	2,357	14,588	4,149	3,618	3,975	3,327	2,402
CF from Operations	4,906	-6,864	4,975	3,295	4,493	6,052	8,235
Extraordinary Income	0	0	0	0	0	0	0
Incr in FA	1,352	1,806	1,698	2,316	2,075	2,075	2,075
Free Cash Flow	3,554	-8,670	3,276	979	2,418	3,977	6,160
Investments	25	44	61	0	0	0	0
CF from Invest.	-1,376	-1,850	-1,759	-2,316	-2,075	-2,075	-2,075
Issue of Shares	0	0	0	0	0	0	0
Incr in Debt	1	8,002	-7,065	133	800	500	500
Dividend Paid	1,806	2,181	2,116	2,458	2,267	2,551	2,940
Others	-35	-453	822	-1,431	-617	-636	-759
CF from Fin. Activity	-1,769	6,274	-10,003	-894	-850	-1,415	-1,681
Incr/Decr of Cash	1,760	-2,440	-6,787	85	1,568	2,563	4,478
Add: Opening Balance	9,605	11,365	8,925	2,138	2,224	3,791	6,354
Closing Balance	11,366	8,925	2,138	2,224	3,791	6,354	10,832

E: MOSL Estimates

NOTES

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